WEBINAR

Super decisions at retirement: Income stream, lump sum, accumulation or a mix?

Friday 11th
OCTOBER

12.30 PM
AEST

Welcome

Presenter

Kate Crawford

Kate has worked in the superannuation sector since 2003. Her experience ranges from customer service to financial advice, member education, complaints management, trustee services, and learning and development.

She currently develops content and facilitates learning sessions for super professionals with the Association of Superannuation Funds (ASFA) as well as writing for SuperGuide.

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IMPORTANT

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In particular, you should seek independent financial advice prior to making any investment decision.

You should consider the appropriateness of this information having regard to your individual situation and seek taxation advice from a registered tax agent before making any decision based on the content of this presentation.

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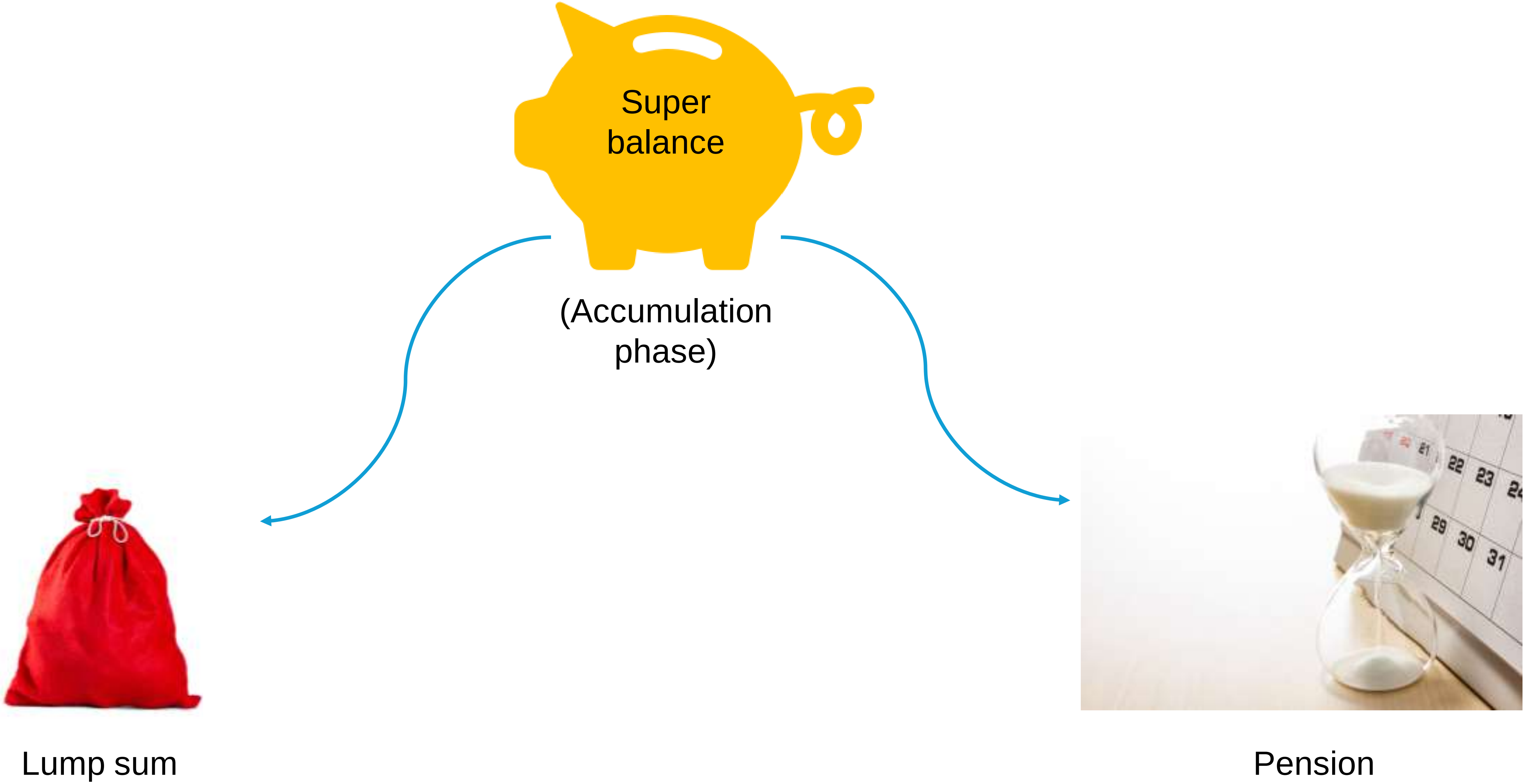
60+ and retired

Left a job after your 60th birthday

Turned 65

Lump sum

Pension


Super
balance
(Accumulation
phase)
Lump sum
Pension

60+ and retired

DECLARE THAT YOU ARE PERMANENTLY RETIRED FROM EMPLOYMENT.

YOU DO NOT INTEND TO RETURN TO WORK.

NO PAID EMPLOYMENT

Left a job after your 60th birthday

LEAVING WORK PERMANENTLY OR INTENDING TO RETURN

CHANGING JOBS.

IF YOU LEAVE A PAID JOB AFTER YOUR 60TH BIRTHDAY, YOU CAN ACCESS

Turned 65

Accumulation phase

Investment growth remains taxable at concessional super rate

Keep your money invested and growing – no compulsory withdrawals

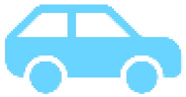
Balance not assessed by Centrelink until age 67

Lump sum

Tax-free (except untaxed funds)

Pay off debt and/or make purchases

Investing outside super generates taxable income



Pension

Tax-free income and investment earnings

Invest up to $1.9 million to generate growth and fund your income

Choose from account-based, lifetime, or fixed-term

Account based

- Select how your balance is invested – and switch at any time
- Choose your payment (minimum but no maximum)
- Withdraw lump sums
- Balance can run out
- 100% of your balance is a financial asset for Centrelink means tests
- If you die – balance is passed on

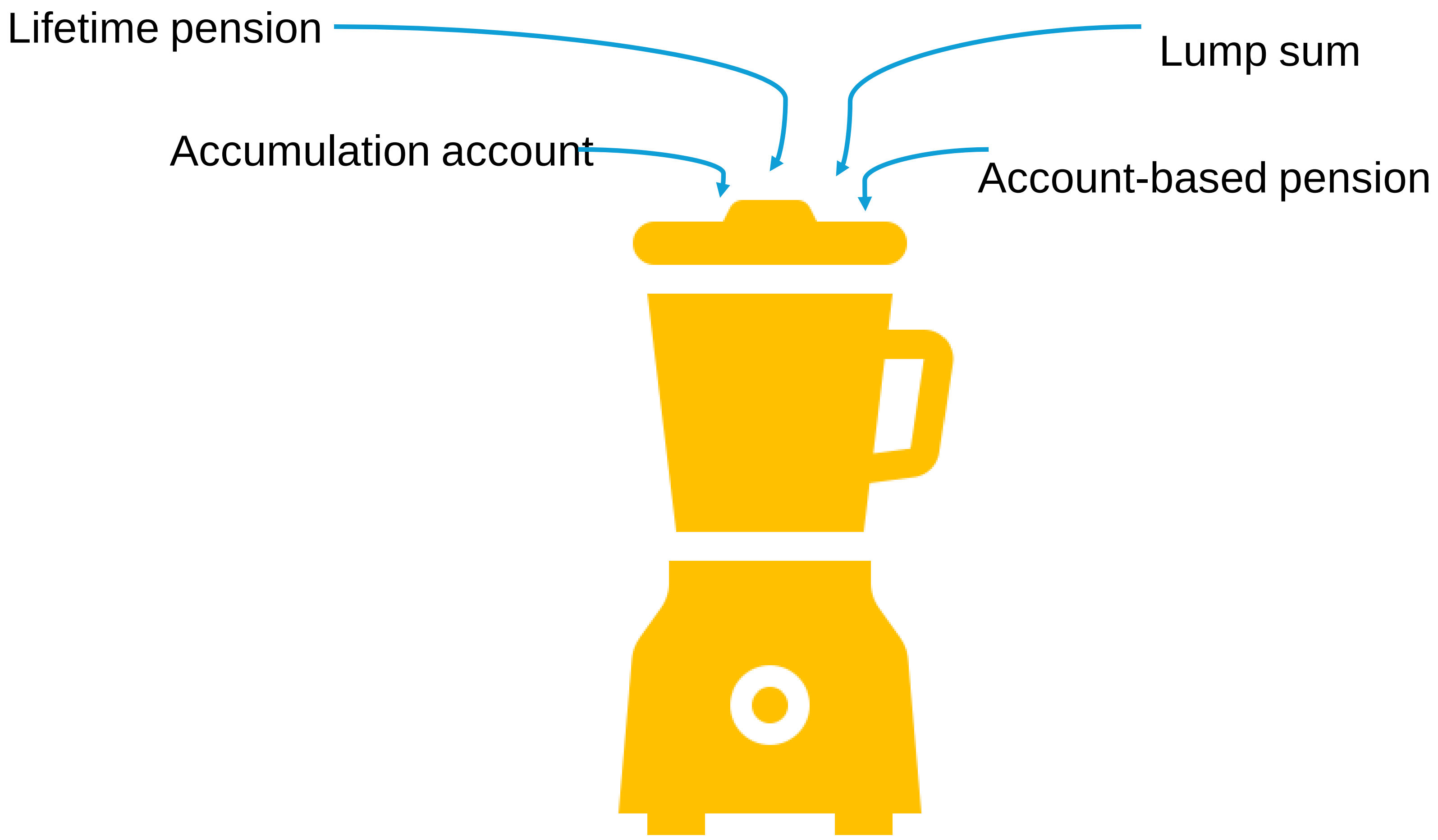
Lifetime

- Payment set by provider with limited flexibility
- Income indexed to inflation or updated with investment return
- Choice of investments may be available
- Limited lump sum withdrawals
- Often favourably assessed in Centrelink means tests
- If you die – income can continue to spouse or limited lump sum may be paid

Comparison of features

Account-based (non-lifetime)	Lifetime
Choose your annual payment of at least the minimum	Income set by provider. Some flexibility may be offered.
Select how your balance should be invested and switch at any time	Opportunities to choose your investments vary: - Provider may take on all the investment risk and guarantee to index your payments to inflation - A set investment may apply to all recipients - A range of investments may be provided to choose from
Withdraw a lump sum at any time	Option to withdraw lump sum is limited
Balance can run out	Income guaranteed for life
100% financial asset in Centrelink means tests	May be eligible for favourable Centrelink means test assessment
Balance available to beneficiaries on death, including as a reversionary pension	Reversionary pension available if selected, or limited lump sum may be payable. Often no lump sum available past life expectancy.

Choose your combination



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Delve into the detail

Example – couple with an age gap

Angie
$600,000 super
Age 67

David
$600,000 super
Age 60

Homeowners and mortgage-free with no investments outside super

Goals

- ✓ Maximise Age Pension
- ✓ Confidence savings will last
- ✓ Comfortable income

The plan

Use all super to open account-based pensions

-tax-free income
-tax-free earnings

The question

Will Angie receive Age Pension?

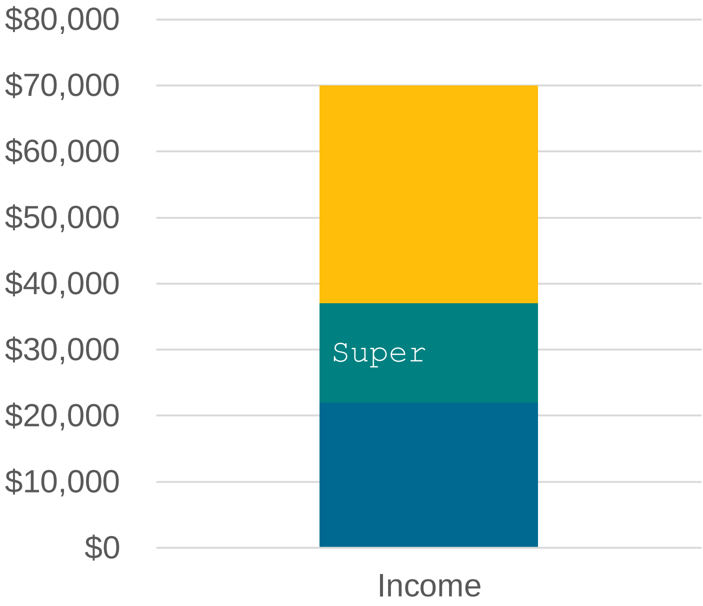
The alternatives

Re-distribute assets

1. Angie starts account-based pension and David keeps accumulation
2. Angie withdraws $300k and David contributes it to his accumulation account

Targeting $70k income

Angie's income
$22,000 Age pension
+ $15,000 super pension
= $37,000 total



Age	Minimum payment
<65	4%
65-74	5%
75-79	6%
80-84	7%
85-89	9%
90-94	11%
95+	14%

Generating additional income

The options

- Withdraw lump sums from David's super
- Increase Angie's super pension withdrawals

The strategy

Withdraw lump sums from David's super

- Retain maximum in Angie's super pension where earnings are tax-free
- Withdrawals come from the environment where earnings are taxable

Looking forward 7+ years

David
Age 67
$900,000 super

Angie
Age 74
$300,000 super pension balance

David's super now assessed by Centrelink

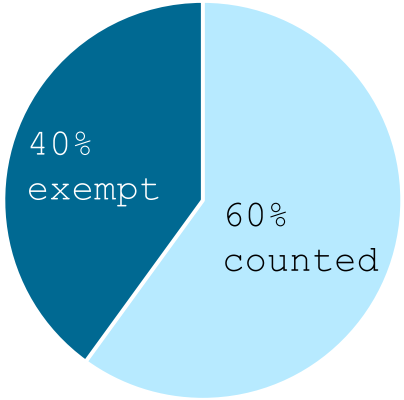
Combined assets >$1.2 million ✕ Age Pension without action

Centrelink assessment

Lifetime income streams

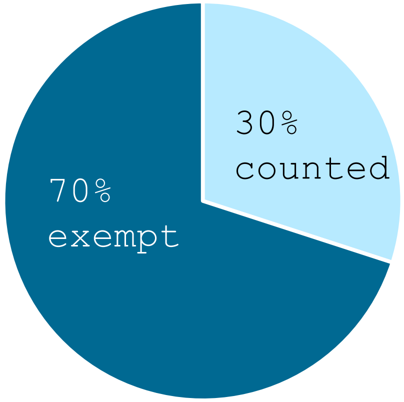
Assets test

Percentage of purchase price



Until 84 + min 5 years, then

Percentage of purchase price



Income test

- 60% of income
- No income assessed during deferral

Centrelink assessment

Account-based (non-lifetime) income streams

Assets test	Income test
100% of balance	Deemed income

Example – single $500k super

Fatima
$500,000 super
Age 67

Homeowner and mortgage-free with no investments outside super

Goals

- ✓ $52,000 a year retirement income
- ✓ Happy with lower income in later retirement
- ✓ Maximise Age Pension
- ✓ Confidence savings will last

High balances

Balance > Transfer Balance Cap (TBC) can’t be transferred to a retirement income stream

Current TBC = $1.9M

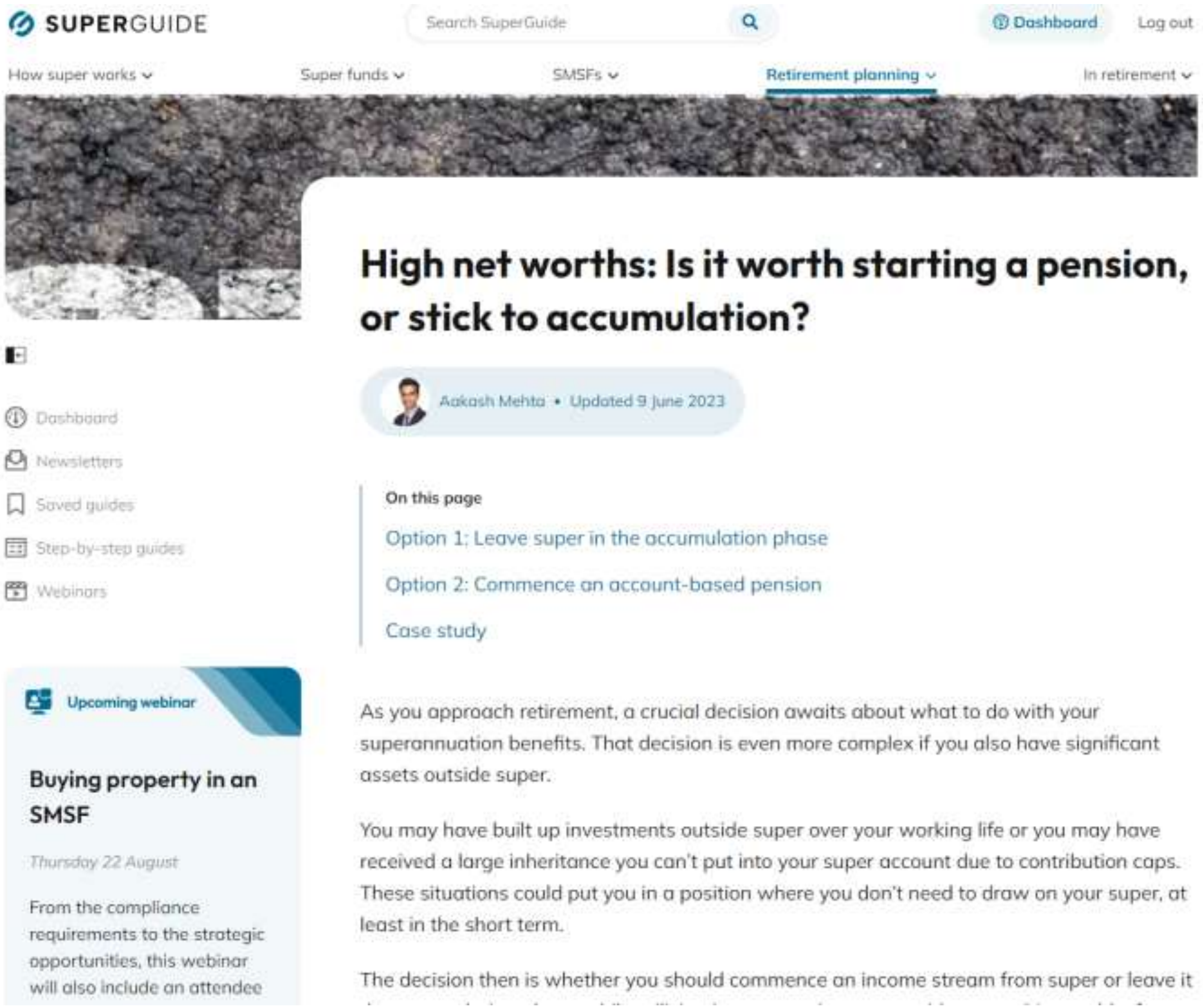
Indexed to CPI

High balances

Options:
- Retain excess in accumulation
- Cash excess as lump sum

Converting entire TBC to income stream may provide more income than required

Options:
- Invest smaller amount in income stream
- Deferred annuity
- Accept higher withdrawal requirements to maximise tax-free earnings



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High net worths: Is it worth starting a pension, or stick to accumulation?

Aakash Mehta • Updated 9 June 2023

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On this page
Option 1: Leave super in the accumulation phase
Option 2: Commence an account-based pension
Case study

Upcoming webinar

Buying property in an SMSF

Thursday 22 August

From the compliance requirements to the strategic opportunities, this webinar will also include an attendee

As you approach retirement, a crucial decision awaits about what to do with your superannuation benefits. That decision is even more complex if you also have significant assets outside super.

You may have built up investments outside super over your working life or you may have received a large inheritance you can't put into your super account due to contribution caps. These situations could put you in a position where you don't need to draw on your super, at least in the short term.

The decision then is whether you should commence an income stream from super or leave it

Resource to read more

Can I make contributions?

When total super >$1.9M

Non-concessional cap = $0

Concessional cap = $30,000

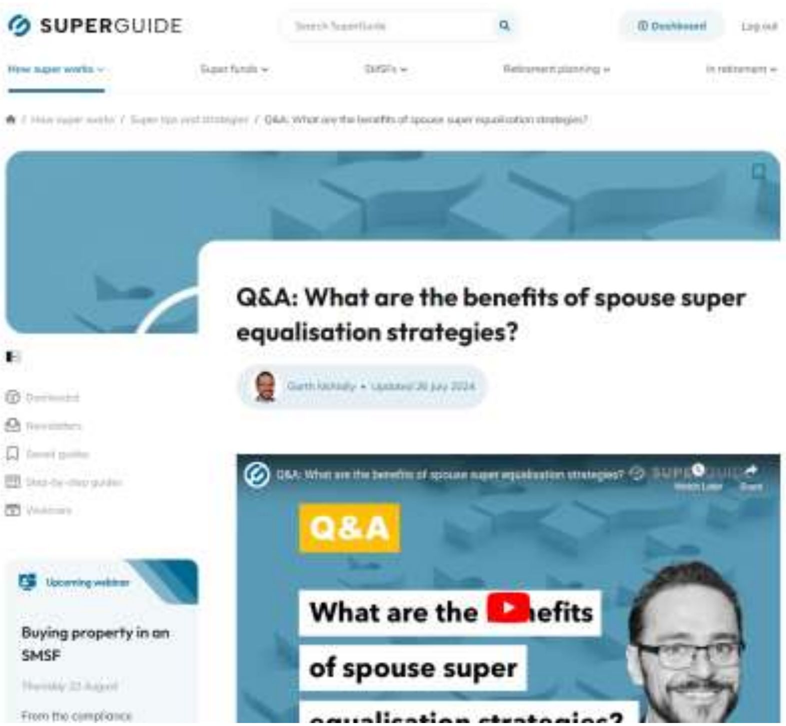
When aged 67+ personal deductible contributions only permitted if you meet

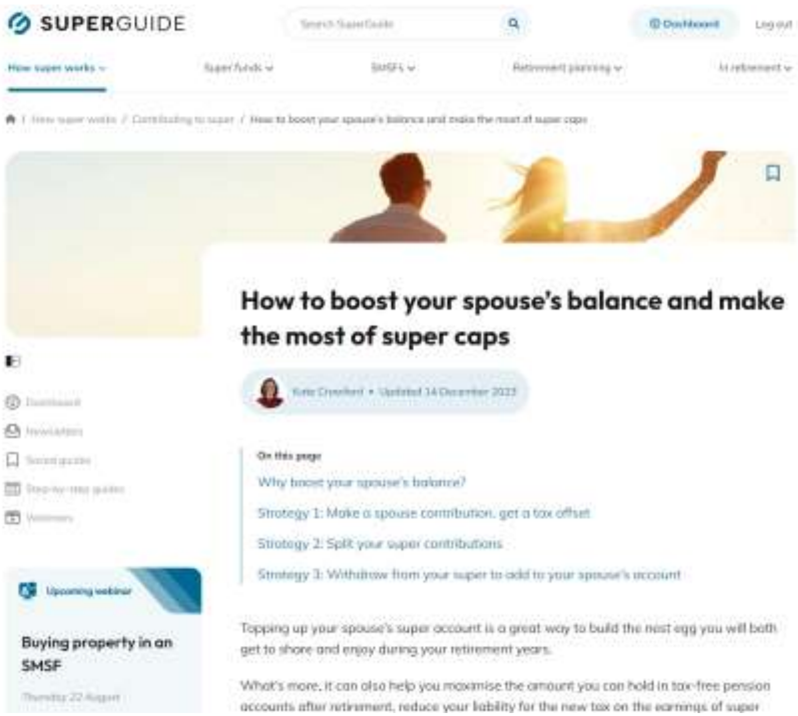
Spouse with a lower balance?

Consider equalising balances

Withdraw and contribute to their account (non-

Split concessional contributions from your account





Resources

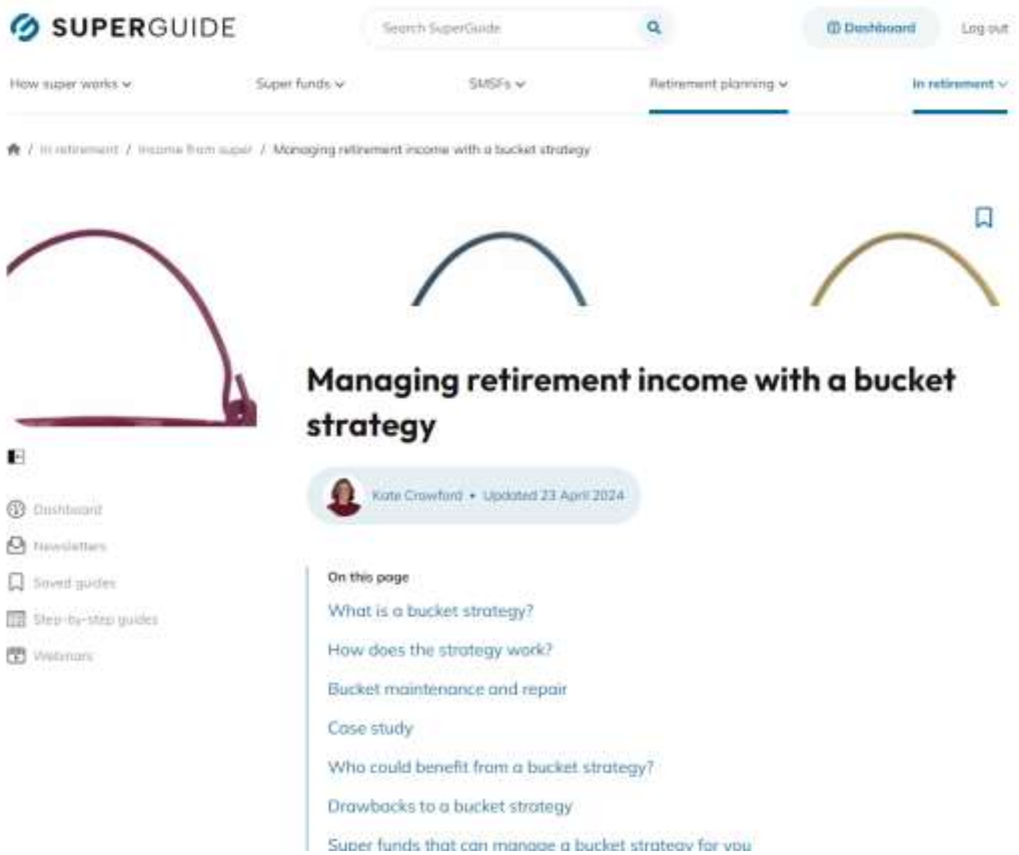
Innovation

Responding to retirement income covenant to balance:
- need for flexible access
- risk of outliving savings

sks

Dedicated investment strategies

1. Bucket strategy



Bucket one

Long term

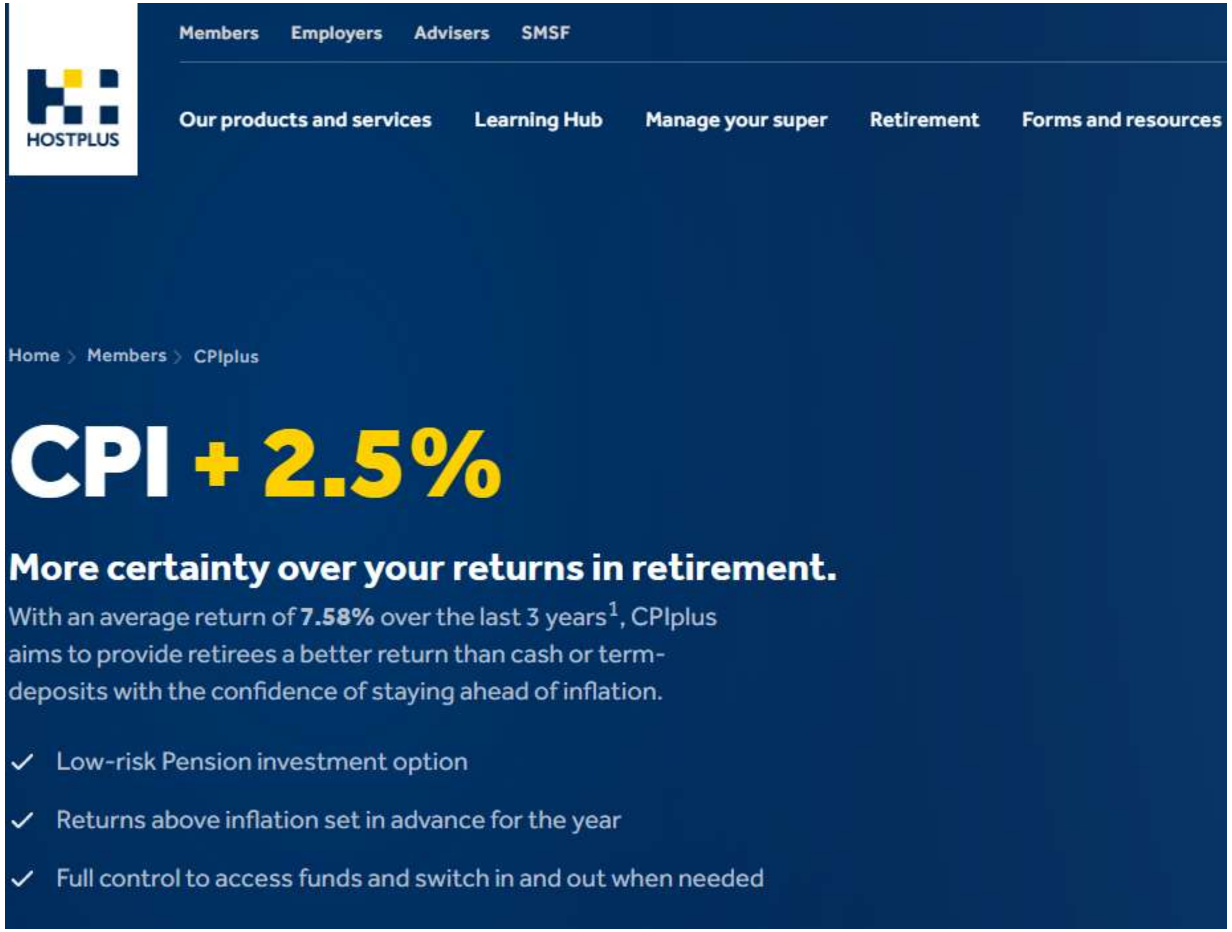
Bucket two

Medium term savings

Bucket three

Short term spending needs

HostPlus CPI+



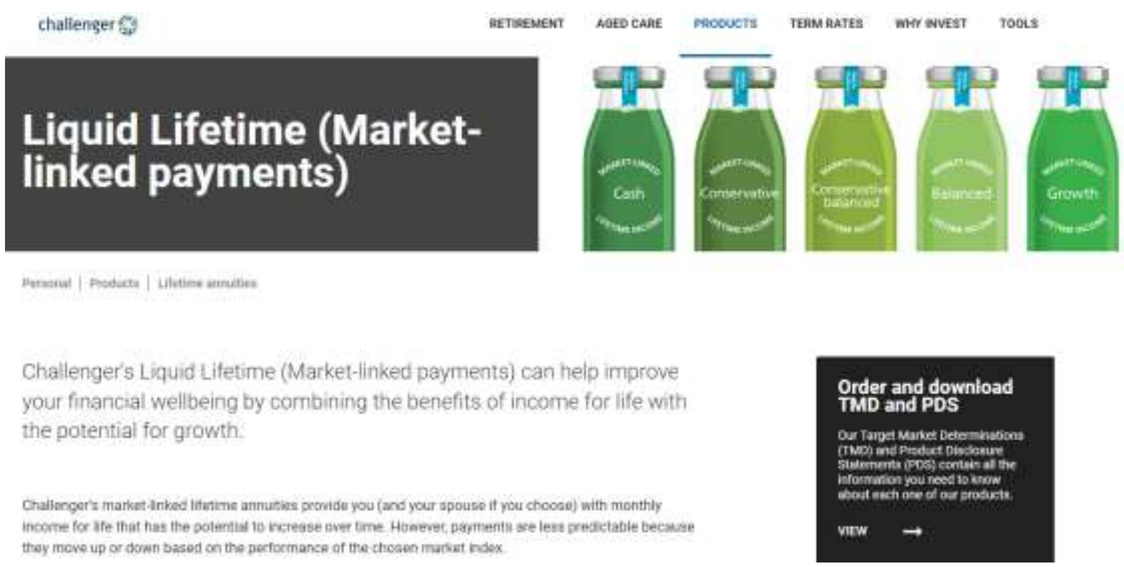
Crediting rate increased from CPI+2% to CPI +2.5% after recording

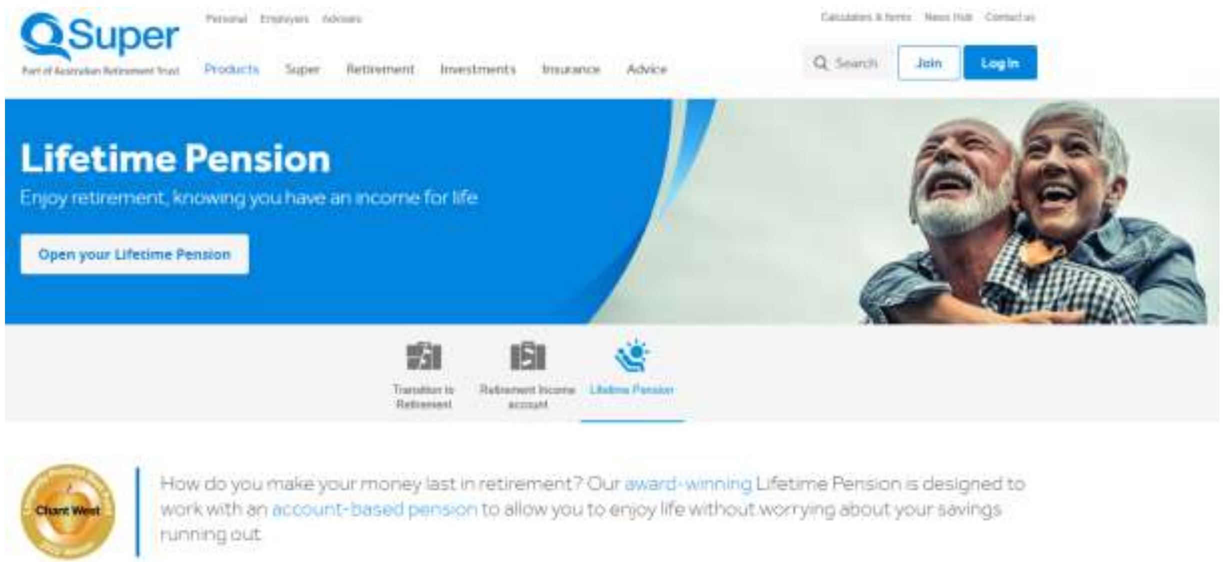
Backed by HostPlus Balanced

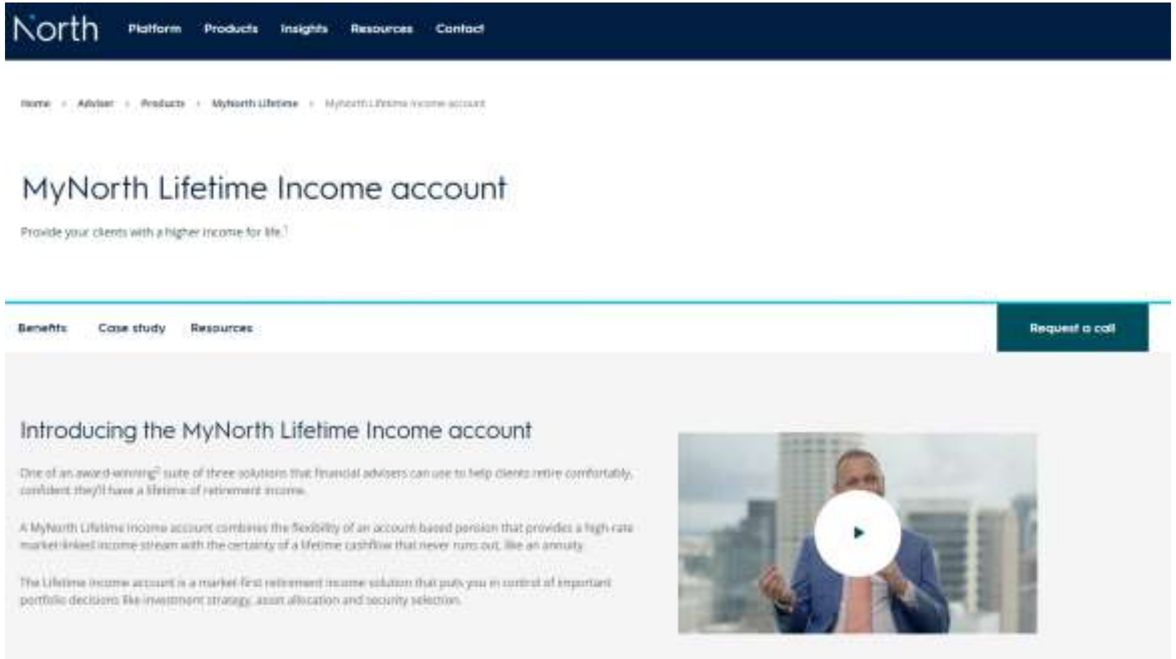
Innovative lifetime income streams

Return of capital usually guaranteed

Investment choice often







You may need an adviser to invest

Beware of complexity

Thanks for watching

Question 1

My super balance is below the contribution cap of $1.9m I want to have an income stream AND be able to withdraw some funds as a lump sum at a later date. I want to understand how I can do both. I have 2 questions:

1. Can I keep my accumulation account open and leave some funds there (for later withdrawal as a lump sum if and when O need it), while I transfer the majority of funds into a pension account? As I am 60 years old, the minimum I MUST withdraw down for a pension is 4% of my super for this FY.

2. But is the 4% calculated on my total super balance, (accumulation account + pension account) or just the amount I transfer from my accumulation account into the pension account?

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Question 2

How are annuities and lifetime products valued for purposes of Division 296? In particular for the future as there won't be indexation.

Abel

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Question 3

What is the safe withdrawal % per annum for a person with $1.8m in super and wish the super to last for 30 years of retirement (age 60 - 90) and wish to spend only AFSA style comfortable retirement amount for couple ($72k per annum)?

Pand

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Question 4

I have an SMSF fully in pension phase. I am aged 70 years.

I need to withdraw a minimum of 5%. I would have preferred to take this as a lump sum towards the end of each financial year but my new accountant says I should take it as a regular payment spread out over the financial year.

She said the ATO prefers this.

I had been under the understanding that for the withdrawal you had a choice, either a lump sum or a regular pension payment. Is there a choice in my situation and if so, what are the pros and cons between each option?

Matthew

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Question 5

I'm a member of the Defence Force Reserves. I work a few days a week, which is paid but is purely a tax-free income with no superannuation guarantee contributions connected to this form of income.

I'm interested in whether Reserves work is considered 'gainful employment' for the purposes of accessing super. In my research, Reserves income seems to have a special status, perhaps akin to volunteering, but it's never quite clear.

When I turn 60 I'm planning to transition my super fund from accumulation phase to pension phase, while still wanting to work part time in the Reserves. Do you think this scenario will pose any issues from a "Condition of Release" point of view?

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Question 6

I have three funds and plan to roll to one Income stream and leave a Superannuation fund open with a small amount of money. I may choose to put a smaller amount that the $1.9M Cap to kick the income stream off and then add to it the the max allowed $1.9M over time.

Are there any 'Gotcha's' in doing this and what watch outs are there when selecting an Income Stream Account (e.g. I am thinking exit and entry fees?)

Trevor

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Question 7

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After retiring, is there an age when one has to compulsorily commence the super pension, even if one does not need additional income?

Jagjeet

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Attendee Questions

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Wrap up